

103D CONGRESS
1ST SESSION

H. R. 3413

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to a medical savings account, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 28, 1993

Mr. SANTORUM (for himself, Mr. KASICH, Mr. JACOBS, Mr. LEWIS of Florida, Mr. BUNNING, Mr. CAMP, Mr. HANCOCK, Mr. ZIMMER, Mr. GALLEGLY, Mr. ARMEY, Mr. HUNTER, Mr. DELAY, Mr. STUMP, Mr. TAYLOR of North Carolina, Mr. HASTERT, Mr. FIELDS of Texas, Mr. BOEHNER, Mrs. JOHNSON of Connecticut, Mr. PORTER, Mr. ROBERTS, Mr. BAKER of Louisiana, and Mr. SENSENBRENNER) introduced the following bill; which was referred jointly to the Committees on Ways and Means and Energy and Commerce

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to a medical savings account, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Health Care Savings
5 Plan Act of 1993”.

1 **TITLE I—MEDICAL SAVINGS**
2 **ACCOUNTS**

3 **SEC. 101. MEDICAL SAVINGS ACCOUNTS.**

4 (a) IN GENERAL.—Part VII of subchapter B of chap-
5 ter 1 of the Internal Revenue Code of 1986 (relating to
6 additional itemized deductions for individuals) is amended
7 by redesignating section 220 as section 221 and by insert-
8 ing after section 219 the following new section:

9 **“SEC. 220. MEDICAL SAVINGS ACCOUNTS.**

10 “(a) DEDUCTION ALLOWED.—In the case of an eligi-
11 ble individual, there shall be allowed as a deduction
12 amounts paid in cash during the taxable year by or on
13 behalf of such individual to a medical savings account.

14 “(b) LIMITATION.—

15 “(1) IN GENERAL.—The amount allowable as a
16 deduction under subsection (a) to an individual for
17 the taxable year shall not exceed the excess (if any)
18 of—

19 “(A) the lesser of—

20 “(i) the applicable limit, or

21 “(ii) the compensation (as defined in
22 section 219(f)) includible in the individ-
23 ual’s gross income for the taxable year,
24 over

25 “(B) the sum of—

1 “(i) the value of employer-provided
2 coverage for the medical expenses of such
3 individual,

4 “(ii) the amount paid by the individ-
5 ual (other than from amounts distributed
6 from a medical savings account) for cov-
7 erage under qualified catastrophic coverage
8 health plan for coverage for such individ-
9 ual, the spouse of such individual, and de-
10 pendants (as defined in section 152) of
11 such individual, plus

12 “(iii) the aggregate amount contrib-
13 uted to such account during the taxable
14 year pursuant to section 125(d)(3).

15 “(2) APPLICABLE LIMIT.—For purposes of
16 paragraph (1), the applicable limit is the sum of—

17 “(A) \$4,800, plus

18 “(B) \$600 for each individual who is a de-
19 pendent (as defined in section 152) of the indi-
20 vidual for whose benefit the account is estab-
21 lished.

22 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
23 poses of this section—

24 “(1) MEDICAL SAVINGS ACCOUNT.—The term
25 ‘medical savings account’ means a trust created or

1 organized in the United States exclusively for the
2 purpose of paying the qualified medical expenses of
3 the individual for whose benefit the trust is estab-
4 lished, but only if the written governing instrument
5 creating the trust meets the following requirements:

6 “(A) No contribution will be accepted un-
7 less it is in cash and contributions will not be
8 accepted for any taxable year in excess of the
9 applicable limit (as defined in subsection
10 (b)(2)).

11 “(B) The trustee is a bank (as defined in
12 section 408(n)) or another person who dem-
13 onstrates to the satisfaction of the Secretary
14 that the manner in which such person will ad-
15 minister the trust will be consistent with the re-
16 quirements of this section.

17 “(C) No part of the trust assets will be in-
18 vested in life insurance contracts.

19 “(D) The assets of the trust will not be
20 commingled with other property except in a
21 common trust fund or common investment
22 fund.

23 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible
24 individual’ means any individual if—

1 “(A) such individual is not covered by any
2 employer-provided group health plan, or

3 “(B) such individual is covered by an em-
4 ployer-provided group health plan which is a
5 qualified catastrophic coverage health plan and
6 is not covered by any other health plan.

7 “(3) QUALIFIED MEDICAL EXPENSES.—

8 “(A) IN GENERAL.—The term ‘qualified
9 medical expenses’ means medical expenses other
10 than amounts paid for a health plan which is
11 not a qualified catastrophic coverage health
12 plan.

13 “(B) MEDICAL EXPENSES.—The term
14 ‘medical expenses’ means amounts paid by the
15 individual for whose benefit the account was es-
16 tablished for medical care (as defined in section
17 213) of such individual, the spouse of such indi-
18 vidual, and any dependent (as defined in section
19 152) of such individual, but only to the extent
20 such amounts are not compensated for by in-
21 surance or otherwise.

22 “(4) QUALIFIED CATASTROPHIC COVERAGE
23 HEALTH PLAN.—The term ‘qualified catastrophic
24 coverage health plan’ means any health plan which

1 is certified by the Secretary of Health and Human
2 Services as a plan—

3 “(A) which provides no compensation for
4 medical expenses not exceeding \$1,500 during
5 any year,

6 “(5) TIME WHEN CONTRIBUTIONS DEEMED
7 MADE.—A taxpayer shall be deemed to have made a
8 contribution on the last day of the preceding taxable
9 year if the contribution is made on account of such
10 taxable year and is made not later than the time
11 prescribed by law for filing the return for such tax-
12 able year (not including extensions thereof).

13 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

14 “(1) IN GENERAL.—Except as otherwise pro-
15 vided in this subsection, any amount paid or distrib-
16 uted out of a medical savings account shall be in-
17 cluded in the gross income of the individual for
18 whose benefit such account was established unless
19 such amount is used exclusively to pay the qualified
20 medical expenses of such individual.

21 “(2) EXCESS CONTRIBUTIONS RETURNED BE-
22 FORE DUE DATE OF RETURN.—Paragraph (1) shall
23 not apply to the distribution of any contribution paid
24 during a taxable year to a medical savings account
25 to the extent that such contribution exceeds the

1 amount allowable as a deduction under subsection
2 (a) if—

3 “(A) such distribution is received on or be-
4 fore the day prescribed by law (including exten-
5 sions of time) for filing such individual’s return
6 for such taxable year,

7 “(B) no deduction is allowed under sub-
8 section (a) with respect to such excess contribu-
9 tion, and

10 “(C) such distribution is accompanied by
11 the amount of net income attributable to such
12 excess contribution.

13 Any net income described in subparagraph (C) shall
14 be included in the gross income of the individual for
15 the taxable year in which it is received.

16 “(e) TAX TREATMENT OF ACCOUNTS.—

17 “(1) ACCOUNT TAXED AS GRANTOR TRUST.—

18 “(A) IN GENERAL.—The individual for
19 whose benefit a medical savings account is es-
20 tablished shall be treated for purposes of this
21 title as the owner thereof and shall be subject
22 to tax thereon in accordance with subpart E of
23 part I of subchapter J of this chapter (relating
24 to grantors and others treated as substantial
25 owners).

1 “(B) EXCLUSION FROM GROSS INCOME
2 FOR \$300 OF EARNINGS.—Notwithstanding sub-
3 paragraph (A), an amount shall be includible in
4 the gross income of an individual for a taxable
5 year by reason of subparagraph (A) only to the
6 extent such amount exceeds \$300.

7 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE
8 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-
9 ACTION.—

10 “(A) IN GENERAL.—If, during any taxable
11 year of the individual for whose benefit the
12 medical savings account was established, such
13 individual engages in any transaction prohibited
14 by section 4975 with respect to the account, the
15 account ceases to be a medical savings account
16 as of the first day of that taxable year.

17 “(B) ACCOUNT TREATED AS DISTRIBUTING
18 ALL ITS ASSETS.—In any case in which any ac-
19 count ceases to be a medical savings account by
20 reason of subparagraph (A) on the first day of
21 any taxable year, paragraph (1) of subsection
22 (d) applies as if there were a distribution on
23 such first day in an amount equal to the fair
24 market value (on such first day) of all assets in
25 the account (on such first day).

1 “(3) EFFECT OF PLEDGING ACCOUNT AS SECUR-
2 RITY.—If, during any taxable year, the individual for
3 whose benefit a medical savings account was estab-
4 lished uses the account or any portion thereof as se-
5 curity for a loan, the portion so used is treated as
6 distributed to that individual.

7 “(f) ADDITIONAL TAX ON CERTAIN AMOUNTS IN-
8 CLUDED IN GROSS INCOME.—

9 “(1) DISTRIBUTION NOT USED FOR QUALIFIED
10 MEDICAL EXPENSES.—If a distribution from a medi-
11 cal savings account is made, and not used to pay the
12 qualified medical expenses of the individual for
13 whose benefit the account was established, the tax li-
14 ability of such individual for the taxable year in
15 which such distribution is received shall be increased
16 by an amount equal to 10 percent of the amount of
17 the distribution which is includible in gross income
18 for such taxable year.

19 “(2) DISQUALIFICATION CASES.—If an amount
20 is includible in the gross income of an individual for
21 a taxable year under subsection (e), his tax under
22 this chapter for such taxable year shall be increased
23 by an amount equal to 10 percent of such amount
24 includible in his gross income.

1 “(3) PENALTY-FREE WITHDRAWALS TO EX-
2 TENT AMOUNTS IN ACCOUNT EXCEED \$15,000.—

3 “(A) IN GENERAL.—Paragraph (1), and
4 paragraph (2) to the extent it relates to sub-
5 section (e)(3), shall not apply to the extent that
6 the sum of—

7 “(i) the amount remaining in the
8 medical savings accounts of such individual
9 immediately after the distribution, plus

10 “(ii) the amount remaining at such
11 time in the medical savings accounts of the
12 spouse (if any) of such individual,
13 has a value at such time is at least \$15,000.

14 “(B) LOWER LIMIT FOR INDIVIDUALS AT-
15 TAINING SOCIAL SECURITY RETIREMENT AGE.—
16 The \$15,000 amount in subparagraph (A) shall
17 be reduced by \$1,000 for each year by which
18 the age (as of the close of the taxable year) of
19 the individual for whose benefit the account was
20 established exceeds retirement age (as defined
21 in section 216(l) of the Social Security Act).

22 “(4) DISABILITY OR DEATH CASES.—Para-
23 graphs (1) and (2) do not apply if the payment or
24 distribution is made after the individual for whose
25 benefit the medical savings account was established

1 becomes disabled within the meaning of section
2 72(m)(7) or dies.

3 “(g) SPECIAL RULES.—

4 “(1) COMMUNITY PROPERTY LAWS.—This sec-
5 tion shall be applied without regard to any commu-
6 nity property laws.

7 “(2) CUSTODIAL ACCOUNTS.—For purposes of
8 this section, a custodial account shall be treated as
9 a trust if—

10 “(A) the assets of such account are held by
11 a bank (as defined in section 408(n)) or an-
12 other person who demonstrates to the satisfac-
13 tion of the Secretary that the manner in which
14 he will administer the account will be consistent
15 with the requirements of this section, and

16 “(B) the custodial account would, except
17 for the fact that it is not a trust, constitute a
18 medical savings account described in subsection
19 (c).

20 For purposes of this title, in the case of a custodial
21 account treated as a trust by reason of the preceding
22 sentence, the custodian of such account shall be
23 treated as the trustee thereof.

24 “(3) DENIAL OF DEDUCTIONS.—No amount
25 paid or distributed from a medical savings account

1 shall be taken into account in determining the de-
2 duction provided by section 213.

3 “(h) INFLATION ADJUSTMENT.—

4 “(1) IN GENERAL.—In the case of any taxable
5 year beginning in a calendar year after 1994, each
6 applicable dollar amount shall be increased by an
7 amount equal to—

8 “(A) such dollar amount, multiplied by

9 “(B) the cost-of-living adjustment for the
10 calendar year in which the taxable year begins.

11 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-
12 poses of paragraph (1), the cost-of-living adjustment
13 for any calendar year is the percentage (if any) by
14 which—

15 “(A) the deemed average total wages (as
16 defined in section 209(k) of the Social Security
17 Act) for the preceding calendar year, exceeds

18 “(B) the deemed average total wages (as
19 so defined) for calendar year 1993.

20 “(3) APPLICABLE DOLLAR AMOUNT.—For pur-
21 poses of paragraph (1), the term ‘applicable dollar
22 amount’ means—

23 “(A) the \$4,800 and \$600 amounts in sub-
24 section (b),

1 “(B) the \$1,500 amounts in subsection
2 (c)(4),

3 “(C) the \$300 amount in subsection (e)(1),
4 and

5 “(D) the \$15,000 amount in subsection
6 (f)(3).

7 “(4) ROUNDING.—If any amount as adjusted
8 under paragraph (1) is not a multiple of \$10, such
9 amount shall be rounded to the nearest multiple of
10 \$10 (or, if such amount is a multiple of \$5 and not
11 of \$10, such amount shall be rounded to the next
12 highest multiple of \$10).

13 “(i) REPORTS.—The trustee of a medical savings ac-
14 count shall make such reports regarding such account to
15 the Secretary and to the individual for whose benefit the
16 account is maintained with respect to contributions, dis-
17 tributions, and such other matters as the Secretary may
18 require under regulations. The reports required by this
19 subsection shall be filed at such time and in such manner
20 and furnished to such individuals at such time and in such
21 manner as may be required by those regulations.”

22 (b) DEDUCTION ALLOWED IN ARRIVING AT AD-
23 JUSTED GROSS INCOME.—Paragraph (7) of section 62(a)
24 of such Code (relating to retirement savings) is amend-
25 ed—

1 (1) by inserting “OR MEDICAL EXPENSE” after
2 “RETIREMENT” in the heading of such paragraph,
3 and

4 (2) by inserting before the period at the end
5 thereof the following: “and the deduction allowed by
6 section 220 (relating to deduction of certain pay-
7 ments to medical savings accounts)”.

8 (c) EXCLUSION OF EMPLOYER CONTRIBUTIONS TO
9 MEDICAL SAVINGS ACCOUNTS FROM EMPLOYMENT
10 TAXES.—

11 (1) SOCIAL SECURITY TAXES.—

12 (A) Subsection (a) of section 3121 of such
13 Code is amended by striking “or” at the end of
14 paragraph (20), by striking the period at the
15 end of paragraph (21) and inserting “; or”, and
16 by inserting after paragraph (21) the following
17 new paragraph:

18 “(22) remuneration paid to or on behalf of
19 an employee if (and to the extent that) at the
20 time of payment of such remuneration it is rea-
21 sonable to believe that a corresponding deduc-
22 tion is allowable under section 220.”

23 (B) Subsection (a) of section 209 of the Social
24 Security Act is amended by striking “or” at the end
25 of paragraph (17), by striking the period at the end

1 of paragraph (18) and inserting “; or”, and by in-
2 serting after paragraph (18) the following new para-
3 graph:

4 “(19) remuneration paid to or on behalf of an
5 employee if (and to the extent that) at the time of
6 payment of such remuneration it is reasonable to be-
7 lieve that a corresponding deduction is allowable
8 under section 220 of the Internal Revenue Code of
9 1986.”

10 (2) RAILROAD RETIREMENT TAX.—Subsection
11 (e) of section 3231 of such Code is amended by add-
12 ing at the end thereof the following new paragraph:

13 “(10) EMPLOYER CONTRIBUTIONS TO MEDICAL
14 SAVINGS ACCOUNTS.—The term ‘compensation’ shall
15 not include any payment made to or on behalf of an
16 employee if (and to the extent that) at the time of
17 payment of such remuneration it is reasonable to be-
18 lieve that a corresponding deduction is allowable
19 under section 220.”

20 (3) UNEMPLOYMENT TAX.—Subsection (b) of
21 section 3306 of such Code is amended by striking
22 “or” at the end of paragraph (15), by striking the
23 period at the end of paragraph (16) and inserting “;
24 or”, and by inserting after paragraph (16) the fol-
25 lowing new paragraph:

1 “(17) remuneration paid to or on behalf of
2 an employee if (and to the extent that) at the
3 time of payment of such remuneration it is rea-
4 sonable to believe that a corresponding deduc-
5 tion is allowable under section 220.”

6 (4) WITHHOLDING TAX.—Subsection (a) of sec-
7 tion 3401 of such Code is amended by striking “or”
8 at the end of paragraph (19), by striking the period
9 at the end of paragraph (20) and inserting “; or”,
10 and by inserting after paragraph (20) the following
11 new paragraph:

12 “(21) remuneration paid to or on behalf of
13 an employee if (and to the extent that) at the
14 time of payment of such remuneration it is rea-
15 sonable to believe that a corresponding deduc-
16 tion is allowable under section 220.”

17 (d) TAX ON EXCESS CONTRIBUTIONS.—Section 4973
18 of such Code (relating to tax on excess contributions to
19 individual retirement accounts, certain section 403(b) con-
20 tracts, and certain individual retirement annuities) is
21 amended—

22 (1) by inserting “**MEDICAL SAVINGS AC-**
23 **COUNTS,**” after “**ACCOUNTS,**” in the heading of
24 such section,

1 (2) by redesignating paragraph (2) of sub-
2 section (a) as paragraph (3) and by inserting after
3 paragraph (1) the following:

4 “(2) a medical savings account (within the
5 meaning of section 220(c)),”,

6 (3) by striking “or” at the end of paragraph
7 (1) of subsection (a), and

8 (4) by adding at the end thereof the following
9 new subsection:

10 “(d) EXCESS CONTRIBUTIONS TO MEDICAL SAVINGS
11 ACCOUNTS.—For purposes of this section, in the case of
12 a medical savings account, the term ‘excess contributions’
13 means the amount by which the amount contributed for
14 the taxable year to the account exceeds the amount allow-
15 able as a deduction under section 220 for such taxable
16 year. For purposes of this subsection, any contribution
17 which is distributed out of the medical savings account
18 and a distribution to which section 220(d)(2) applies shall
19 be treated as an amount not contributed.”

20 (e) TAX ON PROHIBITED TRANSACTIONS.—Section
21 4975 of such Code (relating to prohibited transactions)
22 is amended—

23 (1) by adding at the end of subsection (c) the
24 following new paragraph:

1 “(4) SPECIAL RULE FOR MEDICAL SAVINGS AC-
2 COUNTS.—An individual for whose benefit a medical
3 savings account is established shall be exempt from
4 the tax imposed by this section with respect to any
5 transaction concerning such account (which would
6 otherwise be taxable under this section) if, with re-
7 spect to such transaction, the account ceases to be
8 a medical savings account by reason of the applica-
9 tion of section 220(e)(2)(A) to such account.”, and

10 (2) by inserting “or a medical savings account
11 described in section 220(c)” in subsection (e)(1)
12 after “described in section 408(a)”.

13 (f) FAILURE TO PROVIDE REPORTS ON MEDICAL
14 SAVINGS ACCOUNTS.—Section 6693 of such Code (relat-
15 ing to failure to provide reports on individual retirement
16 account or annuities) is amended—

17 (1) by inserting “**OR ON MEDICAL SAVINGS**
18 **ACCOUNTS**” after “**ANNUITIES**” in the heading of
19 such section, and

20 (2) by adding at the end of subsection (a) the
21 following: “The person required by section 220(i) to
22 file a report regarding a medical savings account at
23 the time and in the manner required by such section
24 shall pay a penalty of \$50 for each failure unless it

1 is shown that such failure is due to reasonable
2 cause.”

3 (g) CLERICAL AMENDMENTS.—

4 (1) The table of sections for part VII of sub-
5 chapter B of chapter 1 of such Code is amended by
6 striking the item relating to section 220 and insert-
7 ing the following:

“Sec. 220. Medical savings accounts.

“Sec. 221. Cross reference.”

8 (2) The table of sections for chapter 43 of such
9 Code is amended by striking the item relating to sec-
10 tion 4973 and inserting the following:

“Sec. 4973. Tax on excess contributions to individual retirement
accounts, medical savings accounts, certain 403(b)
contracts, and certain individual retirement annu-
ities.”

11 (3) The table of sections for subchapter B of
12 chapter 68 of such Code is amended by inserting “or
13 on medical savings accounts” after “annuities” in
14 the item relating to section 6693.

15 (h) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 1993.

18 **SEC. 102. UNUSED AMOUNTS IN FLEXIBLE SPENDING AC-**
19 **COUNTS TRANSFERABLE TO MEDICAL SAV-**
20 **INGS ACCOUNTS.**

21 (a) IN GENERAL.—Subsection (d) of section 125 of
22 the Internal Revenue Code of 1986 (relating to cafeteria

1 plans) is amended by adding at the end thereof the follow-
2 ing new paragraph:

3 “(3) UNUSED AMOUNTS TRANSFERABLE TO
4 MEDICAL SAVINGS ACCOUNTS.—

5 “(A) IN GENERAL.—Subsection (a) shall
6 not fail to apply to a participant in a plan, and
7 a plan shall not fail to be treated as a cafeteria
8 plan, solely because under the plan amounts not
9 paid out as reimbursements under a flexible
10 spending arrangement for health and disability
11 for the benefit of an individual are contributed
12 to a medical savings account (as defined in sec-
13 tion 220(c)) for the benefit of such individual.

14 “(B) SPECIAL RULES.—

15 “(i) TIMING OF CONTRIBUTIONS.—
16 Contributions made under this paragraph
17 shall be made on the last day of the plan
18 year of the cafeteria plan.

19 “(ii) AVAILABILITY REQUIREMENT.—
20 Subparagraph (A) shall apply only if the
21 plan is available to at least 80 percent of
22 the employees of the employer. For pur-
23 poses of the preceding sentence, there shall
24 be excluded employees who are excluded
25 under section 414(q)(8) or who would be

1 so excluded if ‘30’ were substituted for
2 ‘17½’ in subparagraph (B) thereof.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 1993.

6 **SEC. 103. DEDUCTION FOR AMOUNTS PAID FOR QUALIFIED**
7 **CATASTROPHIC COVERAGE HEALTH PLAN.**

8 (a) IN GENERAL.—Section 213 of the Internal Reve-
9 nue Code of 1986 (relating to medical, dental, etc., ex-
10 penses) is amended by adding at the end thereof the fol-
11 lowing new subsection:

12 “(g) FULL DEDUCTION FOR AMOUNTS PAID FOR
13 QUALIFIED CATASTROPHIC COVERAGE HEALTH
14 PLANS.—In the case of amounts paid for coverage under
15 a qualified catastrophic coverage health plan (as defined
16 in section 220(c))—

17 “(1) subsection (a) shall be applied without re-
18 gard to the limitation based on adjusted gross in-
19 come, and

20 “(2) such amounts shall not be taken into ac-
21 count in determining whether any other amounts are
22 allowable as a deduction under this section.”

23 (b) TECHNICAL AMENDMENT.—Paragraph (2) of
24 section 162(l) of such Code is amended by adding at the
25 end thereof the following new subparagraph:

1 “(C) QUALIFIED CATASTROPHIC COV-
 2 ERAGE.—Paragraph (1) shall not apply to any
 3 amount allowed as a deduction under section
 4 213 for amounts paid for coverage under a
 5 qualified catastrophic coverage health plan (as
 6 defined in section 220(c)).”

7 (c) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to taxable years beginning after
 9 December 31, 1993.

10 **TITLE II—DEVELOPMENT AND** 11 **DISTRIBUTION OF COMPARA-** 12 **TIVE VALUE INFORMATION**

13 **SEC. 201. STATE COMPARATIVE VALUE INFORMATION PRO-** 14 **GRAMS FOR HEALTH CARE PURCHASING.**

15 (a) PURPOSE.—In order to assure the availability of
 16 comparative value information to purchasers of health
 17 care in each State, the Secretary shall determine whether
 18 each State is developing and implementing a health care
 19 value information program that meets the criteria and
 20 schedule set forth in subsection (b).

21 (b) CRITERIA AND SCHEDULE FOR STATE PRO-
 22 GRAMS.—The criteria and schedule for a State health care
 23 value information program in this subsection shall be spec-
 24 ified by the Secretary as follows:

1 (1) The State begins promptly after enactment
2 of this Act to develop (directly or through contrac-
3 tual or other arrangements with one or more States,
4 coalitions of health insurance purchasers, other enti-
5 ties, or any combination of such arrangements) in-
6 formation systems regarding comparative health val-
7 ues.

8 (2) The information contained in such systems
9 covers at least the average prices of common health
10 care services (as defined in subsection (d)) and
11 health insurance plans, and, where available, meas-
12 ures of the variability of these prices within a State
13 or other market areas.

14 (3) The information described in paragraph (2)
15 is made available within the State beginning not
16 later than one year after the date of the enactment
17 of this Act, and is revised as frequently as reason-
18 ably necessary, but at intervals of no greater than
19 one year.

20 (4) Not later than 6 years after the date of the
21 enactment of this Act the State has developed infor-
22 mation systems that provide comparative costs, qual-
23 ity, and outcome data with respect to health insur-
24 ance plans and hospitals and made the information
25 broadly available within the relevant market areas.

1 Nothing in this section shall preclude a State from provid-
2 ing additional information, such as information on prices
3 and benefits of different health benefit plans, available.

4 (c) GRANTS TO STATES FOR THE DEVELOPMENT OF
5 STATE PROGRAMS.—

6 (1) GRANT AUTHORITY.—The Secretary may
7 make grants to each State to enable such State to
8 plan the development of its health care value infor-
9 mation program and, if necessary, to initiate the im-
10 plementation of such program. Each State seeking
11 such a grant shall submit an application therefore,
12 containing such information as the Secretary finds
13 necessary to assure that the State is likely to de-
14 velop and implement a program in accordance with
15 the criteria and schedule in subsection (b).

16 (2) OFFSET AUTHORITY.—If, at any time with-
17 in the 3-year period following the receipt by a State
18 of a grant under this subsection, the Secretary is re-
19 quired by section 202 to implement a health care in-
20 formation program in the State, the Secretary may
21 recover the amount of the grant under this sub-
22 section by offset against any other amount payable
23 to the State under the Social Security Act. The
24 amount of the offset shall be made available (from
25 the appropriation account with respect to which the

1 offset was taken) to the Secretary to carry out such
2 section.

3 (3) AUTHORIZATION OF APPROPRIATIONS.—

4 There are authorized to be appropriated such sums
5 as are necessary to make grants under this sub-
6 section, to remain available until expended.

7 (d) COMMON HEALTH CARE SERVICES DEFINED.—

8 In this section, the term “common health care services”
9 includes such procedures as the Secretary may specify and
10 any additional health care services which a State may wish
11 to include in its comparative value information program.

12 (e) STATE DEFINED.—In this subtitle, the term
13 “State” includes the District of Columbia, Puerto Rico,
14 the Virgin Islands, Guam, and American Samoa.

15 **SEC. 202. FEDERAL IMPLEMENTATION.**

16 (a) IN GENERAL.—If the Secretary finds, at any
17 time, that a State has failed to develop or to continue to
18 implement a health care value information program in ac-
19 cordance with the criteria and schedule in section 201(b),
20 the Secretary shall take the actions necessary, directly or
21 through grants or contract, to implement a comparable
22 program in the State.

23 (b) FEES.—Fees may be charged by the Secretary
24 for the information materials provided pursuant to a pro-
25 gram under this section. Any amounts so collected shall

1 be deposited in the appropriation account from which the
2 Secretary's costs of providing such materials were met,
3 and shall remain available for such purposes until ex-
4 pended.

5 **SEC. 203. COMPARATIVE VALUE INFORMATION CONCERN-**
6 **ING FEDERAL PROGRAMS.**

7 (a) DEVELOPMENT.—The head of each Federal agen-
8 cy with responsibility for the provision of health insurance
9 or of health care services to individuals shall promptly de-
10 velop health care value information relating to each pro-
11 gram that such head administers and covering the same
12 types of data that a State program meeting the criteria
13 of section 201(b) would provide.

14 (b) DISSEMINATION OF INFORMATION.—Such infor-
15 mation shall be made generally available to States and to
16 providers and consumers of health care services.

17 **SEC. 204. DEVELOPMENT OF MODEL SYSTEMS.**

18 (a) IN GENERAL.—The Secretary shall, directly or
19 through grant or contract, develop model systems to facili-
20 tate—

21 (1) the gathering of data on health care cost,
22 quality, and outcome described in section 201(b)(4),
23 and

1 (2) analyzing such data in a manner that will
2 permit the valid comparison of such data among
3 providers and among health plans.

4 (b) EXPERIMENTATION.—The Secretary shall sup-
5 port experimentation with different approaches to achieve
6 the objectives of subsection (a) in the most cost-effective
7 manner (relative to the accuracy and timeliness of the
8 data secured) and shall evaluate the various methods to
9 determine their relative success.

10 (c) STANDARDS.—When the Secretary considers it
11 appropriate, the Secretary may establish standards for the
12 collection and reporting of data on health care cost, qual-
13 ity and outcomes in order to facilitate analysis and com-
14 parisons among States and nationally.

15 (d) REPORT.—By not later than 3 years after the
16 date of the enactment of this Act, the Secretary shall re-
17 port to the Congress and the States on the models devel-
18 oped, and experiments conducted, under this section.

19 (e) AUTHORIZATION OF APPROPRIATIONS.—There
20 are authorized to be appropriated such sums as are nec-
21 essary for each fiscal year beginning with fiscal year 1994
22 to enable the Secretary to carry out this section, including
23 evaluation of the different approaches tested under sub-
24 section (b) and their relative cost effectiveness.



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